



Press Release

PHR Invent Educational Society (PIES)

22 February, 2018

Rating Assigned

Total Bank Facility Rated *	Rs. 10.00 cr
Long Term Rating	SMERA BBB-/Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned Long term rating of '**SMERA BBB-' (read as SMERA Triple B minus)** on the Rs. 10.00 crore bank facilities of 'PHR Invent Educational Society' (PIES). The outlook is '**Stable**'.

PHR Invent Educational Society (PIES) was established in 2004 by Mr. Hanumantha Rao. In 2007, PIES joined hands with Delhi Public School Society (DPSS), New Delhi to cater to students from pre-primary to Class XII. The school is affiliated with the Central Board of Secondary Education (CBSE). PIES has a campus spread across 10.3 acres. It also provides hostel facility to students.

Rating Drivers:

Strengths

Experienced management and association with reputed brand

PIES was established by Mr. Hanumantha Rao and family who possess a decade of experience in the education sector. The Dean, Mr. SB Rao was the former assistant commissioner in Navodaya Vidyalaya Samiti (Under Ministry of H.R.D, Govt. of India), in-charge of Arunachal Pradesh, Sikkim, Assam and Tripura. Further he was former principal in Vivekananda Kendra Vidyalaya and Kakatiya Public School. Further, student's occupancy rate stood around 86 percent in the academic year 2017-18. The association with the reputed 'DPSS' brand lends the school an established brand name and the required expertise. SMERA believes that the business risk profile of the PIES will be comfortable on account experienced management and strong brand of 'DPSS'.

Healthy net cash accruals

The company has reported healthy net cash accruals (NCA) as same stood at Rs. 8.59 crore on operating income of Rs. 17.58 crore in FY2017 as against NCA of Rs. 7.94 crore on operating income of Rs. 14.62 crore in FY2016. Going forward, the yearly principal repayment is expected to be around Rs. 1.50 crore. Hence, the PIES is expected to maintain sufficient buffer in its net cash accruals to absorb any future capital expenditure plan and/or any other debt obligation.

Healthy financial risk profile

The financial risk profile is healthy marked by net worth of Rs.19.01 crore as on 31 March, 2017 as against Rs.13.12 crore as on March 2016 on account of accumulated profits. The gearing was comfortable at 0.40 times as on 31 March, 2017 as against 0.94 times as on 31 March, 2016. The coverage indicators were comfortable in FY2017 on account of healthy operating margins. Total outside liabilities to total net worth (TOL/TNW) is comfortable at 0.71 times as on 31 March, 2017 as against 1.39 times as on 31 March, 2016.

Weaknesses

Susceptibility to regulatory changes and intense competition

The education sector is regulated by the government. Any changes in the regulatory environment will have a bearing effect on PIES. Furthermore, PIES is exposed to intense competition from other schools and colleges in Vijayawada.

Project execution risk

PIES is constructing administration block with in the campus. The total project cost estimated to be around Rs. 20 crore. This project is partly funded through bank loan of Rs. 9.00 crore and the remaining Rs. 11 crore through promoter funds and accumulated profits. Around 50 percent of the construction is completed and the balance project is expected to be completed in FY2019. Any significant time or cost overrun of the project will impact the cash flows and debt protection metrics of the PIES.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of PIES.

Outlook – Stable

SMERA believes that PIES will maintain a Stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the society's scale of operations increases on the back of further increase in fee receipts, while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the society fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capital expansions.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.58	14.62	10.95
EBITDA	Rs. Cr.	9.44	9.01	5.60

PAT	Rs. Cr.	5.89	5.20	1.34
EBITDA Margin	(%)	53.69	61.62	51.19
PAT Margin	(%)	33.48	35.55	12.23
ROCE	(%)	26.04	25.99	24.62
Total Debt/Tangible Net Worth	Times	0.40	0.94	1.89
PBDIT/Interest	Times	10.66	8.28	3.82
Total Debt/PBDIT	Times	0.79	1.37	2.65
Gross Current Assets (Days)	Days	58	148	77

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Not Applicable

Rating History for the last three years:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Over Draft	NA	NA	NA	1.00	SMERA BBB-/Stable
Term Loan	NA	NA	NA	9.00	SMERA BBB-/Stable

Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Naveen Papisetty Analyst- Rating Operations Tel: 02267141148 Email: naveen.papisetty@smera.in</p>	<p>Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

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